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2 February 2024

Hon. Ruth Forrest MLC Chair Joint Select Committee By email: energymatters@parliament.tas.gov.au

### Dear Ruth

# **Energy matters in Tasmania**

Thank you for the opportunity to make this submission with regards to energy matters in Tasmania to be considered by the Joint Selection Committee.

TasRex is a Tasmanian integrated renewable energy company with a vision to create end-to-end value for all Tasmanians in the green energy supply chain, supporting local growth by participating in the international energy transition. Our development pipeline includes the staged development and management of up to 5 GW of solar PV, onshore and offshore wind, and includes the Northern Midlands Solar Farm which recently received planning approval.

We are facing the growing threat of climate change and the need for an increasingly rapid transition to renewable energy. There is an increasingly urgent need for action to:

- keep global emissions below a level where catastrophic climate change impacts are widespread and unavoidable
- decarbonise industry and supply chains, especially export industries affected by international emissions policies
- maintain sufficient clean energy supply capacity to meet growing electricity demand across Tasmania and the broader National Electricity Market (NEM) as the aging fleet of mainland coal generators retires and becomes increasingly unreliable
- reduce Australia's reliance on energy imports and our resulting vulnerability to price volatility and geopolitical risks.

To date, the rate of new renewable generation projects being committed and commissioned has fallen significantly short of what is required. While this brings growing risks, it also creates significant opportunities. To respond to either, there is a clear need to accelerate the speed and scale of development in Tasmania for the benefit of all Tasmanians. We also need appropriate mechanisms to keep electricity affordable.

We have summarised some key matters relating to Tasmanian electricity in the attached submission. We would be grateful for an opportunity to discuss these matters further.

Yours sincerely

Bess Clark Chief Executive Officer TasRex raises the following energy matters to be considered by the Joint Selection Committee:

# 1 Challenges and opportunities related to energy supply in Tasmania

# 1.1 Current and future energy requirements

While Tasmania is currently in energy balance in respect of electricity supplies, businesses and industry bodies are saying that Tasmania is facing an "energy supply crisis" as an inability for Tasmanian businesses to secure energy contracts (at any price) blocks critical projects from proceeding. Additionally, many sectors are still heavily reliant on energy imported from the mainland, including gas and coal. Supply risks are forecast to increase in coming years.

The economic and environmental sustainability of Tasmanian industry, and the State's future economic growth, rely on sufficient energy being available for businesses to modernise, decarbonise and expand their operations. An increasing number of new projects have been proposed in recent years, with many now stalling until more wind and solar energy is available.

To meet anticipated NEM firming requirements and local load growth in coming decades, TasNetworks forecasts more than 10,500 GWh (or at least 2.5-3 GW) of new Tasmanian energy production is required. AEMO has forecast a requirement for at least 1.5 - 5 GW of additional Tasmanian renewable generation capacity by 2030 across various scenarios. These forecasts do not solely rely on hydrogen vector developments, with a significant increase in activity across multiple industry sectors with different underlying drivers. As a result, there are a many credible scenarios that would result in a material increase in demand for Tasmanian renewable energy.

### 1.2 Timing of load, generation, and transmission augmentation projects

Transmission capacity is recognised as a key enabler of a cleaner energy future. The current regulatory framework is heavily biased towards slowing or preventing development, potentially in response to past claims about "gold plating" of national investment. As a result, proposed network projects must show strong evidence of expected consumer benefits, outweighing costs, under a range of future scenarios before early works on projects can proceed. While it is important to ensure that consumers and taxpayers only fund projects that are likely to be beneficial, the greatest risk at present is that timely infrastructure is not being progressed and Tasmanians will end up exposed to higher costs and risks over the longer term.

It can take five to ten years to develop new onshore renewable generation and battery storage, and around ten years to develop new transmission, hydro storage capacity and offshore wind. Without adequate long-term planning and timely investment, Tasmania will be increasingly exposed to energy security risks, costs, vulnerability to national and international competition in key industry sectors and climate change impacts. Prudent and timely investment in energy infrastructure is the most effective insurance against these risks.

If Tasmania takes a passive approach to energy planning – waiting for new interconnection, load and/or generation projects to reach certain milestones before progressing planning and investment in new transmission and hydro storage – this will turn the risk of new generation and load projects not eventuating into a self-fulfilling prophecy. Misalignment in transmission, load and generation project timing, and the resulting environment of risk and uncertainty, will prevent many load expansion and generation developments from progressing and deter future investment.

Typically, financiers and investors of projects require transmission augmentation to be committed before new load or generation projects can commit to proceed. TasRex believes there are a number of key nodes where early works should be underway now to meet delivery timeframes, including the contingent projects identified by TasNetworks in its latest revenue proposal. There is an opportunity for TasNetworks to progress project development activities, including environmental, cultural heritage and land use planning assessments, engineering design, community and landowner engagement, and construction cost estimating, to a stage where a project is "shovel ready" so that connection applications can be prepared and new generation and load projects can reasonably be committed. TasRex supports TasNetworks progressing this work, and has reinforced this position in our submission to the Australian Energy Regulator's review.

Planning should also be underway for the future connection and integration of offshore wind (discussed further below), ensuring this is effectively coordinated with the Commonwealth Government process and timeframes for declaring offshore renewable energy zones. Tasmania has some of the world's best offshore wind resource, and the potential to build a new industry for our state.

#### **1.3** Roles of private and State-owned energy businesses

We believe both the public and private sectors will continue to play an important role in the Tasmanian energy industry. Competition in energy supply and contributions from the private sector help reduce the costs and risks to consumers of supply electricity during this time of industry transition. For example, Australian superannuation funds are seeking infrastructure investment opportunities to support the clean energy transition, and private energy infrastructure businesses can bring greater scale and access to international supply chains and expertise at lower cost.

State-owned businesses also play an important role in delivering critical enabling infrastructure and ensuring key services like firming are available when required.

The goal should be to ensure that costs and risks are shared fairly between private and public sectors to avoid unintended outcomes like poor investment confidence, delays and/or increased costs (which will ultimately affect the price of energy for Tasmanian consumers).

### 2 Tasmanian energy developments

#### 2.1 North West Transmission Developments (NWTD) Revised Staging

No new large-scale generation has been commissioned in Tasmania since 2020. New generation and customer load projects need confidence that the transmission network will be able to support them when they are ready to connect.

TasNetworks has identified a number of upgrades that will be necessary to support reliable and cost-effective electricity supply over the long term, including the NWTD.

Following the decision to stage Marinus Link so that cable one is proritised, TasNetworks has proposed to deliver the NWTD project across two stages, focusing on the delivery of Stage 1 (i.e. the "coastal route") to support the first Marinus Link cable). A decision on Stage 2 (i.e. the "inland route") would be made in alignment with the decision on whether to progress the second Marinus Link cable, which is aimed to coincide with the FID for the first cable.

The project assessment draft report (PADR) of the regulatory investment test for transmission (RIT-T) for Project Marinus assessed the various staging options, including a dedicated appendix considering the NWTD options. It included an economic assessment of staging options, concluding that the original NWTD staging best supported both forecast renewable energy projects in the North West and connection of Marinus Link. This conclusion was not modified in the RIT-T conclusions report. However a change to the staging order was subsequently made without an updated public NWTD economic analysis or associated consultation process. The change has impacted a number of projects that were planning to connect into the broader network via the NWTD inland route, and decreased confidence in investment in Tasmanian generation and load projects.

It is important that TasNetworks continues to keep consumer interests at front of mind. However, where plans materially change, good practice suggest that there be timely consultation ahead reaching a conclusion on such changes. Late changes to plans such as this create additional costs and risks for Tasmanian projects, ultimately leading to increased costs and risks to Tasmanian consumers.

To the extent that this staging change reflected concerns about the regulatory framework requirements and local short term price implications, rather than long term benefits, then we need better frameworks to support optimal investment and protect customers. This could include government underwrite of strategic investments and deferred revenue recovery models until forecast load growth materialises. Such mechanisms could have broad application across strategic transmission investment in the state.

### 2.2 Offshore wind in the Bass Zone

Bass Strait offshore wind generation will serve as a valuable supplement to the energy generated by renewable dispatchable hydroelectricity, onshore renewable resources and to Marinus Link, proposed deep storage pumped hydro resources, and potential green hydrogen industrial initiatives in Bell Bay and in the North West. The Bass Strait offshore wind zone supports Tasmanians to deliver new energy generation capacity that grows our economy and creates more jobs, while keeping power prices the lowest in the nation.

Bass Strait offshore wind combined with onshore renewable projects will enable Tasmania to meet its 200% renewables target by 2040, to meet growing local, national, and international demand for green renewable electricity and help Australia achieve its renewable energy and global emissions reduction commitments.

The emerging offshore wind industry in the Bass Zone north of Tasmania, creates an opportunity for northern Tasmania to forge entirely new industries to build, maintain and operate offshore wind assets, bringing well-paying technical jobs to local Tasmanian communities. The Bass Zone will complement the Gippsland, Victoria declared offshore wind area, allowing economies of scale in service provision to these zones.

The energy interconnector Basslink, the future Marinus Link and further planned network upgrades including the North West Transmission Developments project, provide a strengthening transmission backbone in Tasmania that will support new generation and a growing customer load base. Together with further upgrades contemplated in TasNetworks' revenue proposal, this can support on- and offshore renewable energy hubs, growing domestic load, increased local manufacturing and service industries and attract new global businesses.

The proposed Bass Strait zone declaration for the development of offshore wind farms provides confidence of future clean electricity supply at scale, positioning Tasmania and Australia as an attractive global option for the advancement of renewable-energy based industries.

TasRex has identified suitable areas to the east and west of the currently proposed offshore wind area, which merit further investigation to unlock further opportunities for cost-effective offshore wind

developments north of Tasmania. We have requested that the Commonwealth Minister for Energy conduct a review and consideration of an extension to the proposed Bass Zone. Considered engagement and development of these areas can deliver offshore wind generation that will meet community and environmental impact requirements. These areas will yield long-term benefits for our Tasmanian community, the environment, and the local and national economy.